Making Life Work: Affordable Health Care

"Most Americans have come to expect the best healthcare in the world. But there's no doubt our current system is too expensive and too complicated. President Obama's health care law resulted in higher premiums and costs for families, and has made access to quality health care and innovation tougher."

Background:

On February 5, 2013 Majority Leader Eric Cantor delivered a speech at the American Enterprise Institute (AEI) entitled "Making Life Work." Below are some the facts, figures, and background information referenced in the speech.

A 2012 study found that one-third of primary care doctors are refusing to accept new Medicaid patients and nearly 30% are refusing to accept new Medicare patients.[1] Part of the exodus is driven by the arbitrary reimbursement rates set by the government.

According to the 2012 Medicare Trustee's Report, the Medicare Hospital Insurance (HI) Trust Fund is expected to remain solvent only until 2024.[2]

In their 2012 State Expenditure Report, the National Association of State Budget Officers reported that, "In fiscal 2010 Medicaid represented 22.2 percent of total state expenditures, 23.7 percent in fiscal 2011, and is estimated to represent 23.9 percent in fiscal 2012. At the same time, elementary and secondary education has gone from representing 20.4 percent of total state expenditures in fiscal 2010, to 20.2 percent in fiscal 2011, and an estimated 19.8 percent in fiscal 2012, the first time total state spending on K-12 has fallen below 20 percent."[3]

In 2012 the Bipartisan Policy Center's Governors Council released a report regarding the difficulty states have with the current Medicaid waiver process and calling for reforms specifically to address the lack of transparency and lengthy delays states face in making even simple updates to their Medicaid program.[4]

Making Life Work Proposals:

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[1] Roy, Avik. "'Health Affairs' Study: One-Third of Doctors Won't Accept New Medicaid Patients."*Forbes*. Forbes, 7 Aug 2012. Web. <http://www.forbes.com/sites/aroy/2012/08/07/health-affairs-study-one-third-of-doctors-wont-accept-new-medicaid-patients/>.

[2] "Press Releases: Medicare Stable, But Requires Strengthening." *Centers for Medicare & Medicaid Services*. CMS, 23 Apr 2012. Web. <https://www.cms.gov/apps/media/press/release.asp?Counter=4341&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&srchOpt=0&srchData=&keywordType=All&chkNewsType=1, 2, 3, 4, 5&intPage=&showAll=&pYear=&year=&desc=&cboOrder=date>.

[3] United States. National Association of State Budget Officers. *State Expenditure Report*. Washington, D.C.: National Association of State Budget Officers, 2012. Web. <http://www.nasbo.org/sites/default/files/State Expenditure Report 1.pdf>.

[4] "Reforming Medicaid Waivers: The Governors' Council Perspective on Federalism Today."*Bipartisan Policy*, Web. <http://bipartisanpolicy.org/sites/default/files/Federalism Paper.pdf>.

In the AEI speech, Majority Leader Cantor discussed the following policy proposals:

Reducing Costs from Obamacare: Examples of new taxes enacted as part of the Patient Protection and Affordable Care Act (PPACA) that increase health care costs and should be repealed:

> **Annual Tax on Health Insurance Providers:** Effective in 2014, PPACA will impose a tax on firms that provide health insurance based on market share (measured by premiums). The annual assessment on the entire industry would rise from $8 billion in 2014 to $14.3 billion in 2018, and would grow at the rate of medical inflation thereafter. This tax will cost the health care system approximately $102 billion over the next ten years.
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> **Medical Device Tax:** Effective in 2013, PPACA imposes a 2.3 percent excise tax on the manufacture or import of certain "medical devices." This tax will cost the health care system approximately $29 billion over the next ten years.
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> **Limits on Contributions to Flexible Spending Accounts:** Beginning in 2014, PPACA requires employers that provide their employees cafeteria plans with FSAs to limit the amount that employees may contribute to those FSAs to $2,500 annually. PPACA also prohibits the use of tax-free distributions from FSAs, health reimbursement arrangements (HRAs), HSAs, and Archer medical savings accounts (Archer MSAs) for the purpose of purchasing over-the-counter (OTC) medicine without a prescription from a physician.[5]

Pre-existing Conditions: Congress should establish a Universal Access Programs to guarantee access to affordable care for those with pre-existing conditions. Fully funded "Universal Access Programs" will expand and reform high-risk pools and reinsurance programs to guarantee that all Americans, regardless of pre-existing conditions or past illnesses, have access to affordable care – while lowering costs for all Americans. Unlike the provision in PPACA that created a separate, temporary high risk pool program with limited success, Universal Access Programs would build on the high-risk pool and reinsurance programs currently operating in at least 35 states.

Medicare: Modernizing Medicare can begin with ending the arbitrary division between the Part A hospital program and the Part B physician program and creating reasonable and predictable levels of out of pocket expenses without forcing seniors to rely on expensive Medigap plans. Allowing seniors to share in the savings (both premiums and out of pocket expenses) achieved by receiving their care through arrangements between providers that control costs would further reform the system in a way that is cost effective and advantageous to seniors. Reforms such as these are consistent with the long-term

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[5] United States Congress. The Joint Committee on Taxation. *Technical Explanation of the Revenue Provisions of the "Reconciliatoin Act of 2010," as amended, in combination with the "Patient Protection and Affordable Care Act."* Washington, D.C.: 2010. Web. < https://www.jct.gov/publications.html?func=startdown&id=3673>; United States Congress. Committee on Ways and Means. *Tax Tracker: CBO/JCT Confirm That Obamacare is a $1 Trillion Tax Hike.* 2012. Web. <http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=304547>

reform of moving to a premium support system that has been included in recent Republican budgets.

Medicaid: Reforming Medicaid should begin with giving states the ability to streamline the process for determining eligibility. Next, all states should be allowed to offer health coverage through consumer-directed health care or flexible benefit programs and updating cost-sharing rules. To accomplish these reforms, the federal government must also make it faster and simpler for states to gain approval of federal waivers to modify their Medicaid programs. Strict timelines should be placed on how long HHS has to consider a waiver application before providing a final decision. States that submit a waiver that mirrors something already approved for another states should be fast-tracked with a presumption that they will be approved. Such reforms are consistent with a long-term goal of giving states maximum flexibility through a block grant or per-capita cap system.

Medical Research Innovation: To maintain and strengthen America's position as the innovation leader and speed lifesaving treatments to patients, our research institutes and regulatory system must be equipped to support and evaluate at a rapid pace these new opportunities. Just as academic medical research institutions around the nation are revamping research programs with a multidisciplinary approach, the federal government must modernize century old agencies to match the current state of science. Currently the average time to develop a drug is 13 to 15 years. That's too long. Adding new user fees to speed the approval process at FDA should not be the only solution. We have to align our drug, device and biologic approval process with the tools to evaluate quickly technologies based on new scientific findings. Furthermore, during a period of tight budgets, funding mechanisms for critical research and regulatory functions must be prioritized. For example, the federal government currently spends approximately $250 million a year on social and political science research. These funds could be reprioritized towards the hard sciences, including medical research.